

VZCZCXRO5414
RR RUEHCN RUEHGH RUEHVC
DE RUEHGZ #1213/01 3180458
ZNR UUUUU ZZH
R 140458Z NOV 07
FM AMCONSUL GUANGZHOU
TO RUEHC/SECSTATE WASHDC 6653
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUEAUSA/DEPT OF HHS WASHDC
RHMFIUU/DEPT OF HOMELAND SECURITY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASH DC
RUEAIIA/CIA WASHDC
RUEKJCS/DIA WASHDC

UNCLAS SECTION 01 OF 02 GUANGZHOU 001213

SIPDIS

SENSITIVE
SIPDIS

STATE PASS CONSUMER PRODUCTS SAFETY COMMISSION RICH O'BRIEN/INTL
PROGRAMS
STATE PASS USTR CHINA OFFICE
STATE PASS HOMELAND SECURITY COUNCIL
STATE PASS IMPORT SAFETY WORKING GROUP

E.O. 12958: N/A
TAGS: [ETRD](#) [EIND](#) [TBIO](#) [ECON](#) [PGOV](#) [CH](#)
SUBJECT: MATTEL - MENDING FENCES AND FIXING PROBLEMS

REF: GUANGZHOU 887

(U) This document is sensitive but unclassified. Please protect accordingly. Not for release outside U.S. government channels. Not for internet publication.

¶1. (SBU) Summary: Mattel's relations with Beijing are on the mend and there are no indications that provincial government authorities are planning to sue the company for alleged damage to the "Made in China" brand, according to Mattel executives based in South China. More frequent product testing and enhanced supply chain control - the lessons of the recall - have prevented further problems with lead paint in Mattel toys since August. The executives also commented that China had strengthened its inspection system for the toy industry, with new Chinese regulations requiring toy manufacturers to get third party certification confirming that new toy lines meet safety requirements. End summary.

Mending Fences with Chinese Officials

¶2. (SBU) Mattel's relationship with Chinese national-level officials is improving, according to Theodore Pang, Senior Counsel and Director of Asia Pacific Legal Affairs. Pang told Congenoffs November 9 that after a recent informal lunch with a high-level MOFCOM official, senior Mattel executives felt that Beijing no longer doubted the company's commitment to improving China's safety record. Pang stressed that Mattel and China had a long history of working together and the national government is again relying on the company to play a leading role in restoring the international image of brand China.

¶3. (SBU) Pang also said he was not aware of any lawsuits against Mattel for damaging the "Made in China" brand. Media reports in early November cited rumors of provincial Guangdong officials considering a suit against Mattel for alleged harm to the country's reputation. Subsequent news stories quoted officials clarifying that the government would not be filing any lawsuits of this type. Pang emphasized that his company had cooperated with government authorities at every level to correct Mattel's quality problems. This has included working with Guangdong provincial officials to organize product quality training for other players in south China's toy industry.

¶4. (SBU) During the discussion with Congenoffs, John Trang, Vice

President and General Manager for Mattel's south China operations, noted rising costs in the Pearl Delta River region and said Mattel was looking at other possible locations for expansion of manufacturing operations. However, he emphasized that Mattel had no interest in relocating its manufacturing facilities out of China.

Fixing Problems in Supply Control

15. (SBU) Expanded testing has been one of the key elements in Mattel's effort to strengthen product safety controls in its south China manufacturing operations. The executives explained that Mattel had begun testing every new batch of toys for lead and other heavy metals, regardless of how long a particular line of toys has been in production. Prior to Mattel's August recalls, it relied primarily on random sampling for well-established toy lines after they passed a battery of initial quality and safety tests. The Foshan factory that Congenoffs visited, which makes die-cast Hot Wheels cars and plastic Fisher Price toys, employs approximately 150 quality control workers out of a total staff of about 4,000 during peak season. Mattel's product testing lab nearby occupies 2,000 square meters with 60 technical staff. The lab performed 15,000 tests in 2006 and is working towards accreditation as a private lab capable of certifying toy quality for any toy manufacturer in China.

16. (SBU) In addition, Mattel has tightened controls over companies authorized to supply paint for its products. Mattel requires all factories and sub-contractors to order paint from one of seven certified Chinese suppliers. Each new batch of wet paint is tested upon delivery to the factory before being released for production. Random testing also continues for dry paint during each production run. All paint used in Mattel's products is coded by batch and

GUANGZHOU 00001213 002 OF 002

catalogued to allow traceability if test results reveal problems later in the production process. The Mattel executives told us that no new cases of lead paint had been discovered since the new procedures were implemented in August.

China Tightening Controls Too

17. (SBU) Chinese inspectors have also tightened their product safety controls, according to the Mattel executives. Simon Tan, the Manufacturing Director at the Foshan plant, said that China Inspection and Quarantine (CIQ) inspections had become more frequent. Previously, the Foshan plant had been inspected only on a yearly basis. However, since the recent recalls, the plant had already been subjected to additional inspections. He also noted that new Chinese regulations required toy manufacturers to get third party certification confirming that any new toy line meets safety requirements.

GOLDBERG